

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SP-03

STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 AGR-20

IO-14 SS-20 NSC-07 L-03 H-03 SAJ-01 PRS-01 PA-04

USIA-15 DRC-01 /185 W

----- 089093

R 301743Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0825

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 06752

E.O. 11652: XGDS-1

TAGS: EGEN, EEC, UK

SUBJECT: EC RENEGOTIATION

REF: LONDON 6567

BEGIN SUMMARY: THE UK ACKNOWLEDGES THAT THE OTHER  
EC MEMBER STATES ARE NOT GOING TO ACCEPT BRITISH  
FIGURES ON THE DISTRIBUTION OF THE EC BUDGETARY  
BURDEN, BUT IT WANTS THE OTHER MEMBER STATES AT LEAST  
TO AGREE THAT A PROBLEM EXISTS WITH REGARD TO THE  
BUDGET. THE BRITISH HOPE THAT THE JUNE 4 EC COUNCIL  
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WILL ASK THE COMMISSION TO EXAMINE THE BUDGET ISSUE

AND CONSIDER POSSIBLE SOLUTIONS. THEY BELIEVE THAT THE SMALLER MEMBER STATES ARE PREPARED TO ENVISAGE SUCH A STEP, BUT THEY ARE NOT ENCOURAGED BY THEIR TALKS WITH THE GERMANS AND ITALIANS, OR BY THE "VERY NEGATIVE NOISES" COMING FROM FRANCE' END SUMMARY

1. ON MAY 29 WE DISCUSSED EC RENEGOTIATION WITH MICHAEL BUTLER (ASSISTANT UNDER SECRETARY, FCO). BUTLER HAS JUST COMPLETED A ROUND OF TALKS WITH ALL THE OTHER MEMBER STATES EXCEPT FRANCE ON THE PROBLEM OF THE EC BUDGET. THE BUDGET, HE SAID, IS THE CENTRAL ISSUE OF RENEGOTIATION' IT IS THE ONE AREA IN WHICH THE UK IS ASKING FOR MAJOR CHANGES, AND WHERE IT HAS "SIMPLY GOT TO GET SOMETHING SUBSTANTIAL"

2. BUTLER SAID THAT IT IS CLEAR THAT THE OTHER MEMBER STATES ARE NOT GOING TO ACCEPT THE UK'S FIGURES ON THE DISTRIBUTION OF THE EC BUDGETARY BURDEN (SEE REFTEL)' THE UK DOES NOT WANT TO GET INTO A FRUITLESS ARGUMENT OVER THESE ESTIMATES. IT WANTS TO GET THE COMMUNITY TO ACKNOWLEDGE THAT A PROBLEM EXISTS, AND TO BEGIN CONSIDERING POSSIBLE SOLUTIONS.

3. THE UK CONSIDERS THAT THE BEST OUTCOME OF THE JUNE 4 EC COUNCIL MEETING WOULD BE A DECISION TO ASK THE COMMISSION TO EXAMINE THE PROBLEM OF THE BUDGET AND SEE WHAT PROPOSALS COULD BE PUT FORWARD. AN ALTERNATIVE WOULD BE TO REFER THE MATTER TO AN EC PERMREP WORKING GROUP' THIS WOULD BE LESS DESIRABLE IN THE BRITISH VIEW, BECAUSE IT COULD LEAD TO HAGGLING OVER THE BRITISH PROJECTIONS.

4. BUTLER SAID THAT THE REACTION OF THE SMALLER MEMBER STATES TO THE IDEA OF REFERRING THE PROBLEM OF THE BUDGET TO THE COMMISSION WAS "QUITE GOOD." THE REACTIONS IN BONN AND ROME, ON THE OTHER HAND, WERE "NOT VERY ENCOURAGING." COMMISSION PRESIDENT ORTOLI WAS NON-COMMITTAL, PROBABLY WAITING, BUTLER THOUGHT, FOR SOME INDICATION OF THE VIEWS OF THE NEW

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R 301743Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0826

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 06752

FRENCH GOVERNMENT. BUTLER DID NOT MEET WITH THE  
FRENCH, BUT SAID THAT HMG IS GETTING "VERY NEGATIVE  
NOISES" FROM THEM THROUGH REGULAR CHANNELS.

5. NONE OF THE OTHER MEMBER STATES WERE ENTHUSIASTIC  
OVER THE UK'S SUGGESTION FOR A BUDGET ADJUSTMENT  
MECHANISM THAT WOULD CORRECT FOR OVERPAYMENTS (SEE  
REFTEL). THE OTHERS ARGUED THAT THIS IDEA SOUNDS  
TOO MUCH LIKE "JUSTE RETOUR," THAT IT REDUCES THE  
INCENTIVE FOR NEW COMMUNITY POLICIES, AND THAT IT  
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WOULD COST TOO MUCH'

6. ACCORDING TO BUTLER, THE STATEMENT THAT FOREIGN SECRETARY CALLAGHAN WILL MAKE TO THE JUNE 4 EC COUNCIL WILL CONCENTRATE MAINLY ON THE BUDGET ISSUE. CALLAGHAN WILL NOT MAKE DETAILED PROPOSALS' HIS MAIN OBJECTIVE WILL BE TO GET A DECISION ON PROCEDURE.

7. BUTLER SAID THAT THE FCO HOPES THAT CALLAGHAN WILL SAY SOMETHING POSITIVE ON JUNE 4 ABOUT THE BASIC AIMS (THE "SACRED COWS") OF THE COMMUNITY. THE FCO HAS INCLUDED STATEMENTS OF THIS KIND IN A DRAFT OF THE STATEMENT, BUT CALLAGHAN MAY DECIDE THAT THEY ARE TOO PROVOCATIVE FOR THE LABOUR PARTY'S ANTI-MARKETEERS'

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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**Copy:** SINGLE  
**Draft Date:** 30 MAY 1974  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**To:** STATE  
**Type:** TE  
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